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C O N F I D E N T I A L DJIBOUTI 000898

SIPDIS

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [ECPS](#) [EINV](#) [DJ](#)

SUBJECT: THE NEW DJIBOUTI TELECOM

Classified By: Pol/Econ Erinn C. Reed.
For reasons 1.4 (b) and (d).

[1](#)1. (U) SUMMARY: Djibouti Telecom announced the completion of its infrastructure extension on 21 June 2004. The extension is part of the new look that foreign management is bringing to Djibouti Telecom over the course of its two-year transitional period before privatization. This step is part of a system upgrade, which includes the eventual offering of DSL speed Internet and the use of fiber optics in the telephone switches. The latest upgrade has increased the Internet capacity to 47 Mbps, which is eleven times the previous bandwidth and allows greater access to international sites. END SUMMARY.

[1](#)2. (U) Djibouti Telecom (DT) has a brand new look. Starting late May this year, enigmatic billboards started appearing around town telling of a new start for Djibouti Telecom to be revealed in June. The mystery behind these billboards was revealed shortly after: a new look and logo for the company and its affiliate services for mobile phone and Internet. Pol/Econ and Econ assistant met with Djama Aouled Djama, Director of International and Legal Affairs to find out more about the "new" Djibouti Telecom. The change in image is being accompanied by an increase in capacity for the Internet and an eventual move to fiber optics for the main switching center. This increase brings the Internet bandwidth available to Djibouti's users up to 47 Mbps from 4Mbps. The end goal for DT is to provide DSL service to commercial and residential clients. They hope to unveil this new service at the end of June, though realistically it can be expected sometime this fall. DT will also soon begin installing fiber optics for use in the switching of telephone lines.

[1](#)3. (C) Privatization looks to be a long process for Djibouti Telecom. According to a law passed in 1998, which sets forth key steps for privatization, the company will go through a two-year transition period followed by an open tender in order to decentralize shares. DT's two-year transition period, which started November 2003, has brought in foreign management contracted for the specific task of reorganizing the company, improving the company's operations and restoring financial credibility. The new management team brought in includes a French telecom specialist as the Director General and a Tunisian specialist as the Director of Finance. Djama commented that while the new team is certainly changing things, the changes are not in the right areas. The team has been spending large sums to overhaul the look of DT, purchase cars and equipment, and improve the superficial face of DT. Djama noted that the new management has not made a move to focus changes on the efficiency and training of staff, both current and potential. The current make-up of Djibouti's workforce has few trained technicians in telecom specialties, necessitating the contracting of more expensive foreign workers.

[1](#)4. (C) After the transitional period, an open tender will sell the bulk of the company's shares creating a Strategic Equity Partnership between the Government of Djibouti (GODJ) and the purchasing company. The goal for the GODJ is selling 49 percent of shares to private investment, though Djama commented realistically the government does not want to sell more than 30 percent. He said he was doubtful about the success of the 1998 privatization law's implementation, citing the lack of interest so far and the fact that there are more problems to fix in Djibouti before it can attract the kind of company needed to successfully privatize the telecom sector. Djama said most often the reasons government utilities are privatized are fiscal constraints, industry liberalization, improving quality of services, reducing costs, and complete overhaul of a sector of industry. For Djibouti, the motivation appears to be a little of each as the government strives to update its industries to modern technology. Djama said he believed that the privatization would succeed, it would just take much more time than planned.

[1](#)5. (C) COMMENT: Post feels the privatization of the telecom industry in Djibouti will take time, but will eventually succeed. Outside influences, especially foreign investment and the GODJ desire to connect to the transoceanic cable SEA-ME-WE4, will have positive effects on the reorganization and recreation of the telecom industry in Djibouti.

RAGSDALE